

FILED FOR RECORD
Ashley County, Arkansas
at 10:03 a.m.

IN THE CIRCUIT COURT OF ASHLEY COUNTY, ARKANSAS
CIVIL DIVISION

APR 13 2018

FIRST STATE BANK OF CROSSETT, ARKANSAS

VICKIE STEPHAN
By [Signature] CLERK
DC

VS.

NO. 2018-110-3

AMERICAN NATIONAL PROPERTY & CASUALTY COMPANY

DEFENDANT

COMPLAINT

Comes now the Plaintiff, FIRST STATE BANK OF CROSSETT, ARKANSAS (hereinafter "FIRST STATE BANK"), by and through its attorneys, Griffin, Rainwater & Draper, P.L.C., and, for its Complaint against the Defendant, AMERICAN NATIONAL PROPERTY & CASUALTY COMPANY (hereinafter "AMERICAN NATIONAL"), would state and allege:

1. That the Plaintiff, FIRST STATE BANK, is a state chartered banking corporation duly qualified to transact business in the State of Arkansas, with its principal place of business located in Crossett, Ashley County, Arkansas; that the Defendant, AMERICAN NATIONAL, is a foreign insurance company headquartered in Springfield, Missouri; and that the property which is the subject of this action is situated in the City of Crossett, Ashley County, Arkansas.
2. That this Court has proper jurisdiction of the parties and subject matter of this action, and venue is proper.
3. That on the 3rd day of December, 2015, the Defendant, AMERICAN NATIONAL, issued its policy of property casualty insurance, Policy No. ANM0000TEJLA006, Certificate No. TJH0000001101, covering a residential dwelling located at 302 West 8th Avenue, in Crossett, Arkansas, against fire loss or damage, among other risks; at the time of the issuance of the insurance policy, the subject property was owned by Ray Washington and mortgaged to the Plaintiff, FIRST STATE BANK; FIRST STATE BANK was designated as a "Name Insured/Mortgagee (loss payee)

under the terms of the insurance policy; a copy of which is attached hereto as Exhibit A.


4. That, on February 12, 2016, the insured property was totally destroyed by fire, while the insurance policy was in full force and effect.
5. That the Defendant, AMERICAN NATIONAL, was properly notified of the loss, and, subsequently, conducted an investigation of the claim. After its investigation, the Defendant denied the Plaintiff's claim, without explanation.
6. That the Plaintiff, FIRST STATE BANK, is entitled to judgment against the Defendant, AMERICAN NATIONAL, in an amount equal to the full amount owed to Plaintiff on the mortgage indebtedness of Ray Washington, including interest accrued thereon, together with appropriate statutory penalties and costs and attorney fees incurred by Plaintiff in this action.

WHEREFORE, PREMISES CONSIDERED, the Plaintiff, FIRST STATE BANK OF CROSSETT, ARKANSAS, prays for judgment of and from the Defendant, AMERICAN NATION PROPERTY & CASUALTY INSURANCE COMPANY, in an amount equal to the full balance owed by Ray Washington on his mortgage indebtedness with FRIST STATE BANK (including interest), mot to exceed the insured value of the property as designated in the policy; for its costs, fees, and applicable statutory penalties, and all other proper relief.

Respectfully submitted,

FIRST STATE BANK OF CROSSETT,
ARKANSAS, Plaintiff

Griffin, Rainwater & Draper, P.L.C.
It's Attorneys

By: 

Paul S. Rainwater, #74126

P.O. Box 948

Crossett, Arkansas 71635

(870) 364-2111

prainwater@windstream.net

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
 Credit Insurance Division
 1949 East Sunshine St.
 Springfield, MO 65899-0001

MORTGAGE SECURITY POLICY
COMMERCIAL GENERAL LIABILITY- REAL ESTATE OWNED PROPERTIES
DECLARATIONS

Policy Number:	TEJ-LA-006		
Named Insured:	First State Bank	Agent Name:	Tandy E. Jackson Agency
Mailing Address:	P.O. Box 638 Crossett, AR 71635	Mailing Address:	P.O. Box 2187 Natchitoches, LA 71457
		Agent Number:	T76058

POLICY PERIOD

Effective Date: September 16, 2015 **Expiration Date:** Until Cancelled

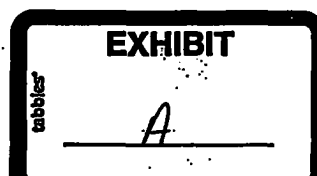
12:01 A.M. Local Standard Time at the address of the Named Insured

COVERAGE TYPE	LIMIT OF LIABILITY (AMOUNT OF INSURANCE)	DEDUCTIBLE (IF ANY)	RATE	PREMIUM
Arkansas Only				
Residential REO Liability	1,000,000/2,000,000	N/A	\$25 per month	TBD
Commercial REO Liability	1,000,000/2,000,000	N/A	19/100 Annually	TBD
	Occurrence/Aggregate			
REO Vacant Land	1,000,000/2,000,000	N/A	\$160 Annually	TBD
TOTAL PREMIUM:				

Coverage Information: All coverages, terms and conditions are set forth in this Commercial General Liability – Real Estate Owned Properties Declaration and in the attached policy forms. The insurance afforded is only with respect to such of the described coverages as are indicated by a specific premium charge or charges. The limit of our liability against each such coverage shall be as stated herein, subject to all the terms of this Declarations having referenced thereto.

Limit of Liability: The maximum limit of liability (amount of insurance) against each coverage shall be as stated herein, subject to all the terms of this Declarations having reference thereto.

Taxes and Fees: As required by state



IFS.71.2022-MSP-00-1113

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COLLATERAL PROTECTION POLICY**AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Credit Insurance Division
P.O. Box 696785
San Antonio, Texas 78269-6785

DECLARATIONS:**POLICY NUMBER: TEJCP11079****Item 1. INSURED LENDER: First State Bank****Agent: TEJ Agency, Inc. dba Tandy E. Jackson Agency****Street: P.O. Box 638****Street: P.O. Box 2187****City, State, Zip: Crossett, AR 71635****City, State, Zip: Natchitoches, LA 71457-2187****Item 2. POLICY PERIOD**

FROM:			TO:		
Month	Day	Year	Month	Day	Year
09	16	2015	UNTIL CANCELED		

12:01 A.M. standard time at the address of the insured lender.

Item 3. COVERAGE - PHYSICAL DAMAGE AND THEFT

A deductible of \$200.00 will apply to each loss except when the collateral is repossessed. All individual notices of Insurance Issued under this policy will identify the collateral insured, contract balance or the value assigned to the collateral, and the premium charged. Premium will be charged in accordance with the rate schedule attached to this policy.

Item 4. ELIGIBLE COLLATERAL AND MAXIMUM LIMIT OF LIABILITY

Types of collateral not specifically listed on the attached eligible collateral endorsement or collateral on loans which exceed the maximum limit of liability shown on the attached eligible collateral endorsement are not eligible for coverage.

Item 5. ENDORSEMENTS attached to policy at issue:

CPE-02-GEN	CPE-09-GEN
CPE-04-GEN	CPE-31-GEN
CPE-05-GEN	CPE-105-GEN
CPE-06-GEN	CPE-135-GEN
CPE-08-GEN	CEP-140-GEN

THIS POLICY DOES NOT AFFORD PROTECTION AGAINST BODILY INJURY OR PROPERTY DAMAGE LIABILITY, NOR DOES IT PROVIDE PERSONAL INJURY PROTECTION BENEFITS, AND WILL NOT FULFILL THE REQUIREMENTS OF ANY FINANCIAL RESPONSIBILITY OR NO-FAULT LAW.

COVERAGE UNDER THIS POLICY DOES NOT PROTECT THE EQUITY OF THE BORROWER IN THE EVENT OF A TOTAL LOSS TO OR A REPOSSESSION OF THE INSURED COLLATERAL.

League City, TX
Countersigned at

10/6/15
Date


Authorized Representative

Throughout this policy, the words "we," "us" and "our" refer to American National Property and Casualty Company. "You" and "your" mean the insured lender as shown on the declarations.

Other words are defined and, throughout this policy, their meanings will be as follows:

"Instrument" means an evidence of debt creating or reserving a lien or interest in the eligible collateral defined in the eligible collateral endorsement. It includes, but is not limited to, the following:

- a. a certificate of title to secure a debt;
- b. a security agreement;
- c. a trust receipt or deed of trust;
- d. a conditional sales contract;
- e. a chattel mortgage.

"Insured collateral" means the collateral as defined in the eligible collateral endorsement and which is an underlying loan subject.

"Borrower" means the maker, co-maker or obligee of the instrument.

"Excess" means we will pay our usual settlement less any amount received by you from another insurer or other responsible party.

"Fleet" means two or more vehicles financed under a business name.

"Notice of insurance" or "Notice" means a condensed version of this policy. A notice is issued when a borrower fails to provide proof of specific physical damage insurance which names you as the loss payee for eligible collateral supporting your loan.

INSURANCE AGREEMENTS

1. **INSURING AGREEMENT** - In consideration of the premium you pay, we will provide coverage for theft and for direct, sudden and accidental loss of or damage to the insured collateral by any external cause, except as specifically excluded in this policy.
2. **PREMIUM REFUNDS** -
 - A. If a notice has been in effect 30 days or less and a loss has not occurred, the entire premium will be refunded. If a loss has occurred at any time during the initial 30 days, 31 days premium will be earned, using the method filed in the state in which you are located.
 - B. If a notice has been in effect more than 30 days, then:
 1. if you cancel we will refund the unused portion of your premium using the method filed in the state in which you are located.
 2. if we cancel or if you have repossessed the collateral we will refund the unused premium on a pro-rata basis.
3. **CONDITIONS PRECEDENT TO LIABILITY** - The conditions precedent to the attaching of our liability for any loss or damage under this policy are that:
 - A. no other valid and collectible insurance exists on which you are identified as lienholder;
 - B. you have an interest in the collateral by virtue of a legally enforceable instrument;
 - C. a notice of insurance has been issued covering the insured collateral with an effective date prior to the date of loss;
 - D. a police report was filed if loss was caused by theft, vandalism or malicious mischief; and
 - E. we must inspect and appraise the damaged collateral before its repair or disposal.
4. **POLICY PERIOD** - This policy applies only to accidents or losses which occur during the policy period described on the declarations page.
5. **DATE OF LOSS** - Date of loss shall be:
 - A. the date you repossess the insured collateral.
 - B. the date the accident or loss occurred if the claim is being submitted by the borrower. If the date of the accident or loss cannot be verified, the date we are notified will be the date of loss.
6. **OUR MAXIMUM LIABILITY, SETTLEMENT OPTIONS** - The amount we will pay will not exceed the least of:

- A. the cost to repair the collateral;
- B. the actual cash value of the collateral as of the date you report the loss to us, less salvage value;
- C. your unpaid loan balance as of the date you report the loss to us, less:
 - any payments more than 120 days past due;
 - unearned interest and finance charges and unearned insurance charges;
 - net salvage value; and
 - any late charges or penalties added after the loan was made.
- D. the maximum liability shown in the eligible collateral endorsement.

Settlement option B will not apply provided the amount you loaned on the insured collateral did not exceed purchase price on new cars or retail value on used cars, as determined by vehicle pricing guide commonly in use by lenders in the state in which the loan is made, plus tax and license.

If you have repossessed the insured collateral, and there is damage caused by more than one collision loss, each loss shall be deemed a separate loss, and no loss of less than \$100 is covered beyond the first or largest loss.

The amount of each borrower claim will be reduced by the deductible shown on the declarations. If there is damage to the collateral caused by more than one occurrence, the deductible will apply to each occurrence.

If a loss occurs outside the United States and if the cost to repair or replace the insured collateral is greater outside the United States than it is where you are located, our liability shall be increased up to 10% over the cost to repair or replace the insured collateral in the city where you are located.

If two or more pieces of insured collateral secure the same loan, or if there is other collateral on the loan in addition to the insured collateral, we will not pay more than a proportionate share of the total unpaid balance that each item represents to the total loan.

- 7. **TERRITORY** - This policy applies while the insured collateral is anywhere in the world. If the loss occurs in Mexican territory or if the collateral is recovered in Mexican territory, adjustment will be made at the nearest point in the United States. We will not pay for towing, storage, or transportation of the insured collateral outside of the United States or Canada, nor will we be responsible for the cost of returning the collateral to the United States.
- 8. **COVERAGE UNDER THIS POLICY, WITH RESPECT TO EACH COLLATERAL, SHALL TERMINATE CONCURRENTLY WITH THE REPOSSESSION OF THE COLLATERAL OR THE TERMINATION OF YOUR INTEREST IN THE COLLATERAL. WHICHEVER OCCURS FIRST.**

EXCLUSIONS

This policy does not apply to loss or damage:

- A. to a vehicle that is part of a fleet that is intended for use as a public or livery conveyance;
- B. due to war, whether or not declared, invasion, civil war, insurrection, rebellion or revolution;
- C. due to wear and tear, freezing, mechanical or electrical breakdown or failure;
- D. to collateral subject to lien instruments of a wholesale or floor plan nature;
- E. resulting from forgery;
- F. resulting directly or indirectly from any dishonest, fraudulent or criminal act by you, your officers or employees or any dealer from whom you may acquire the instrument;
- G. resulting directly or indirectly from any fraudulent act by the borrower;
- H. to equipment designed for the recording, reproduction, receiving or transmitting of sound or signals unless the device is permanently installed in the insured collateral at the time the insured collateral is purchased;
- I. arising from a defect in title which existed at the time the instrument was written or became effective;
- J. arising from a lien or encumbrance filed with the proper public office or officer which establishes an interest lawfully superior to yours;
- K. to any collateral where insurance protection has been waived by you or your authorized personnel;
- L. caused intentionally by the borrower;
- M. due to conversion, embezzlement or secretion by any person in lawful possession of the insured collateral;
- N. due to legal confiscation by a public official;
- O. to other than the standard or optional equipment available from the manufacturer of the collateral;
- P. to batteries, battery containers or secondary fuel containers when the insured collateral is a boat or boat motor.

CONDITIONS

1. **Your duty when loss occurs.** When you become aware of a loss, you must let us or our agent know promptly. You must protect the collateral, whether or not the loss is covered by this policy. We will not pay for any further loss due to your failure to protect the collateral.
2. **Settlement of claims; action against us.** You may not require payment of loss or bring suit against us until:
 - A. all conditions of this policy have been met; and
 - B. 60 days have passed since a proper proof of loss was filed and the amount of loss determined.
3. **Other insurance.** If, on the date a loss occurs, there is other collectible insurance on which you are named as lender, this policy will not apply. If a notice of insurance is in force and a third party insurer pays on the loss, this policy will be excess.
4. **No benefit to bailee.** A bailee is a person or entity (other than you or the borrower) to whom you have given possession of the insured collateral. We will not honor an assignment nor extend coverage to a bailee.
5. **Payment of loss.** We may pay for the loss in money with deduction for depreciation, or we may repair or replace the damaged collateral with like kind and quality. We may take all or part of the collateral at the agreed or appraised value. We will not pay for the same damage more than once if the collateral has not been repaired. Payment for loss caused by theft of the insured collateral shall not be required prior to 30 days following notification of the loss to us. Payment for loss shall not be made by us until you give us clear title to the collateral if we retain the salvage.
6. **Extension of maturity.** If you grant an extension of maturity to a borrower after the effective date of that borrower's notice of insurance, the amount extended will be considered as a past due payment in computing our maximum liability settlement option C. If the payment is over 120 days past due it will be deducted, except where the borrower has made sufficient payments so that the loan is no more than 4 payments in arrears. This exception applies only where the loan installments are payable monthly.


If you grant an extension of maturity before the effective date of the borrower's notice of insurance, that written extension agreement becomes the instrument upon which our maximum liability settlement option C will be computed.
7. **Terms of policy conform to statute.** Any terms of this policy which are in conflict with the statutes of the state where this policy is issued are amended to conform to the minimum requirements of the statutes.
8. **Declarations.** By your acceptance of this policy you agree:
 - A. that the statements on the face of this policy are your agreements and representations;
 - B. that this policy is issued in reliance upon your representation; and
 - C. that this policy contains all agreements between you and us or our agent relating to this insurance.
9. **Theft.** If a theft occurs and the collateral is not recovered, you must sign the collateral title over to us upon settlement. If the collateral is recovered later, we will dispose of it and give you any amounts received in excess of our payment.
10. **Our right to recover from others.** After making payments under this policy, we have the right to recover from anyone held responsible. You will sign papers and do whatever is required to transfer this right to us. You must do nothing to harm this right. We will not pursue our right to recover against the borrower with respect to any claim under this policy. Such waiver, however, shall not serve to exclude the rights to recover as we may have against any third party, other than the borrower.
11. **Abandonment.** There can be no abandonment to us of the insured collateral.
12. **Cancellation.** This policy may be canceled by you by mailing us written notice of the future date cancellation is to be effective. We may cancel this policy by mailing written notice to you at the last address known to us telling when the cancellation is to be effective. We must give you at least 60 days advance notice. Proof of mailing any notice shall be proof of notice. The effective date of cancellation stated in the notice becomes the end of the policy period.

You shall cancel notices issued under this policy when the loan is paid in full, the insured collateral has been repossessed, or you have been named loss payee on other specific insurance. We may cancel notices by mailing written notice to you and the borrower at the last address known to us telling you when cancellation is to be effective. We

must give you and the borrower at least 60 days advance notice. Proof of mailing any notice shall be proof of notice. We may deliver any notice instead of mailing it.

13. **Examination of records.** You must give us access to your books and records at all reasonable times to determine any fact relating to this insurance. Any evasion or attempted evasion by you in connection with reports, premium or any matter relating to this insurance will void this policy. It will also be an absolute defense to any suit or action brought under this policy.
14. **Suit against us.** No suit, action or proceeding for the recovery of any claim under this policy shall be sustainable in any court of law or equity unless it is commenced within 12 months after discovery by you of the occurrence which gives rise to the claim. However, if by the laws of the state within which this policy is issued such limitation is invalid, then such claim(s) shall be void unless such action, suit or proceeding is commenced within the shortest limit of time permitted by the laws of such state.
15. **Appraisal.** If we fail to agree with you as to the amount of loss, then we may agree to enter into the following procedure to mutually determine the amount of the loss. This appraisal agreement shall be voluntary and non-binding for both parties. Each of us shall select a competent and disinterested appraiser within 20 days from the date of disagreement. The appraisers will select an umpire. The appraisers will determine the amount of the loss. If they don't agree, then each appraiser will submit his/her amount of the loss to the umpire. The agreement of any two will determine the amount of loss. You pay your appraiser and we pay our appraiser. We shall each share equally the expense of the umpire.
16. **Your assistance and cooperation.** You shall use due diligence, and take, or assist in taking, any reasonable action which would avoid or diminish any loss under this insurance.
17. **Premium rates.** We have the right to change premium rates by giving you written notice stating the amount and when, not less than 45 days thereafter, such change shall become effective.
18. **Changes.** Notice to any agent or knowledge possessed by any agent or by any other person shall not effect a waiver or a change in any part of this policy, or prevent us from asserting any right under the terms of this policy, nor shall the terms of this policy be waived or changed, except by endorsement issued to form a part of this policy.

This policy is signed at our home office by our authorized officers.



Authorized Officer



Authorized Officer

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

ELIGIBLE COLLATERAL ENDORSEMENT

<u>Type of Collateral</u>	<u>Maximum Limit of Liability</u>
Private Passenger Autos	\$100,000
Commercial Trucks (up to ½ ton)	\$ 100,000
Motor Cycle & ATVs	\$ 100,000
Recreational Vehicles & Trailers	\$ 100,000
Agricultural Equipment	\$ 100,000
Watercraft	\$ 100,000

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015 Endorsement Number 1

League City, TX
 Countersigned at

10/6/15
 Date


 Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

REPOSSESSED COLLATERAL COVERAGE ENDORSEMENT

This policy to which this endorsement is attached is hereby amended as follows:

COVERAGE: We will provide coverage for theft and for direct, sudden and accidental loss of or damage to the insured collateral by any external cause which occurs after the insured collateral has been repossessed by you. This coverage will apply for a maximum period of 120 days from the date of repossession, or until you sell the repossessed collateral, or until the date we pay a covered loss under this endorsement whichever occurs first. It is not a requirement that a notice of insurance has been issued covering the insured collateral.

DATE OF LOSS: Date of loss shall be the date the damage occurs.

ADDITIONAL EXCLUSIONS: We will not pay for losses:

1. to repossessed collateral held for sale or lease by a dealer or consignee;
2. to repossessed collateral while being used by you, your employees or any of their family members.

PREMIUM RATE: \$ 0.004 per \$1,000 of outstanding eligible loans per calendar quarter, commencing with the inception date of this endorsement.

TERMINATION: IF THIS ENDORSEMENT OR THE POLICY TO WHICH IT IS ATTACHED IS CANCELED, OUR LIABILITY WITH RESPECT TO ALL OUTSTANDING LOANS WILL AUTOMATICALLY CEASE ON THE EFFECTIVE DATE OF THE CANCELLATION. NO LOSSES THAT OCCUR AFTER THAT DATE WILL BE COVERED.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCP11079 and is subject to all the terms and conditions of the policy not inconsistent hereto.


Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015 Endorsement Number 2

League City, TX
Countersigned at

10/6/15
Date


Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

INSTRUMENT NON-FILING ERRORS AND OMISSIONS COVERAGE ENDORSEMENT

The policy to which this endorsement is attached is hereby amended as follows:

COVERAGE: We will indemnify you against any impairment of interest incurred as the result of being prevented from:

1. obtaining possession of, or retaining the salvage sale proceeds of, the collateral represented by a legally enforceable instrument; or
2. enforcing your rights under such instrument solely because you have, through error or omission, not recorded or filed the instrument with the proper public officer or public office, or the proper public officer or public office did not show your encumbrance thereon if the instrument be a certificate of title or other evidence of legal ownership.

CONDITIONS PRECEDENT TO LIABILITY: The conditions precedent to the attaching of our liability under this endorsement are:

1. that you have an interest in the insured collateral by virtue of a legally enforceable instrument;
2. that the borrower has defaulted in payments;
3. that you have attempted to repossess the insured collateral;
4. that you have located the insured collateral or the person(s) or company who has title and have definitely determined that such person(s) has (have) claim or title lawfully superior to the lien held by you;
5. that you, in the normal course of business, maintain and operate a standard procedure to record or file all instruments with the proper public officer or public office in a timely manner.

DATE OF LOSS: Date of loss shall be the date we receive notice from you that all conditions precedent to liability have been met.

OUR MAXIMUM LIABILITY-SETTLEMENT OPTIONS: Our liability shall not exceed the least of the following on the date of loss:

1. the value of the insured collateral as of the date of loss as determined by averaging the wholesale and retail values shown in a vehicle pricing guide commonly in use by lenders in the state in which the loan is made; or
2. your unpaid loan balance as of the date of loss, less:
 - any payments more than 120 days past;
 - any unearned interest, finance charges and unearned insurance charges; and
 - any late charges or penalties added after the loan was made.

ADDITIONAL EXCLUSIONS: We will not pay for losses:

1. resulting from the borrower's failure to record or file the instrument with the proper public officer or public office;
2. occurring after the property has been repossessed or placed in the possession of you or your employees or representatives; or
3. occurring prior to the effective date of this endorsement.

PREMIUM RATE: \$ 0.002 per \$1,000 of outstanding eligible loans per calendar quarter, commencing with the inception date of this endorsement.

TERMINATION: IF THIS ENDORSEMENT OR THE POLICY TO WHICH IT IS ATTACHED IS CANCELED, OUR LIABILITY WITH RESPECT TO ALL OUTSTANDING LOANS WILL AUTOMATICALLY CEASE ON THE EFFECTIVE DATE OF THE CANCELLATION. NO LOSSES THAT OCCUR AFTER THAT DATE WILL BE COVERED.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 3

League City, TX
Countersigned at

10/6/15
Date

[Signature]
Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

PREMIUM DEFICIENCY ENDORSEMENT

The policy to which this endorsement is attached is hereby amended as follows:

If, after the repossession and sale of collateral on which a notice of Insurance has been issued under the policy, there remains a deficiency balance which is determined by you to be uncollectible, you may receive up to the amount of the earned premium upon cancellation of the notice of insurance, but in no event to exceed the remaining deficiency balance. You must supply documentation requested by us to substantiate the claim.

This endorsement does not apply to individual loans where a claim has been filed for any of the coverages provided by the policy.

Claims under this endorsement are to be submitted within 90 days from the sale of the collateral. Prior to payment, we will calculate the actual loss ratio. If the actual loss ratio exceeds the permissible loss ratio, there shall be no coverage under this endorsement.

DEFINITIONS:

NET WRITTEN PREMIUM- is the total of all premium written under the policy less all return premium for cancellations of notices of insurance written under the policy.

EARNED PREMIUM- is that portion of all net written premium that is earned at any given point in time.

INCURRED LOSSES- are the total of all adjustment expenses, reserves for all reported losses, reserves for unreported losses as computed by us, and paid losses less salvage and subrogation.

ACTUAL LOSS RATIO- is the ratio that the total of the incurred losses and adjustment expenses, including previous payments under this endorsement, bears to the total earned premium of the policy for the current 12 month period.

PERMISSIBLE LOSS RATIO- is 50.0% of the earned premium developed under the policy for the current 12 month period.

DEFICIENCY BALANCE- means the balance remaining on the loan, less deductions for unearned interest, unearned insurance charges and any late charges or penalties added after the loan was made.

TERMINATION: IF THIS ENDORSEMENT OR THE POLICY TO WHICH IT IS ATTACHED IS CANCELED, NO FURTHER PAYMENT WILL BE MADE UNDER THIS ENDORSEMENT.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 4

League City, TX
Countersigned at

10/6/15
Date

[Signature]
Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

REPOSSESSION EXPENSE REIMBURSEMENT ENDORSEMENT

The policy to which this endorsement is attached is hereby amended as follows:

COVERAGE: In the event an eligible collateral is repossessed by you and a notice of insurance is in force on the repossessed collateral at the time of repossession, we will reimburse you for the expense necessarily incurred in connection with taking possession of the collateral, including storage, towing, and a mechanic's lien.

The most we will pay will be \$ 500 for the release of a mechanic's lien and \$ 500 per loan for other covered expenses, not to exceed your deficiency balance.

DEFINITIONS:

MECHANIC'S LIEN- Is the legally enforceable right to payment for services performed on or to the insured collateral.

DEFICIENCY BALANCE- means the balance remaining on the loan, less deductions for unearned interest, unearned insurance charges, and any late charges or penalties added after the loan was made.

ADDITIONAL CONDITION: Claims under this coverage endorsement must be submitted to us within 90 days of the expense or loss being incurred by you.

ADDITIONAL EXCLUSION: Reimbursement will not be made for expenses of a person employed by you or of an organization owned or operated by you.

PREMIUM RATE: \$ 0.370 per certificate in force per calendar quarter, commencing with the inception date of this endorsement.

TERMINATION: COVERAGE UNDER THIS ENDORSEMENT IS TERMINATED CONCURRENT WITH THE TERMINATION OF THE POLICY TO WHICH IT IS ATTACHED.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCP1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 5

League City, TX
Countersigned at

10/6/15
Date


Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

OPTIONAL CANCELLATION METHOD

Insuring Agreement 2 - Premium Refunds, is deleted in its entirety and replaced as follows:

If a notice of insurance has been in effect 15 days or less and no claim has been reported, the entire premium will be refunded.

If a notice of insurance has been in effect more than 15 days and no claim has been reported, the premium will be refunded pro-rata.

If a claim occurs within 180 days of the effective date of the notice of insurance, 6 months premium will be earned.

If a claim occurs after 180 days from the effective date of the notice of insurance, the premium will be refunded pro-rata.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015 Endorsement Number 6

League City, TX
Countersigned at

9/16/15
Date

[Signature]
Authorized Representative

AMERICAN NATIONAL PROPERTY and CASUALTY COMPANY
Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

GENERAL CHANGE ENDORSEMENT

This endorsement may be used for amending policy variables in the Declarations. This endorsement may not be used to alter any of the policy text.

Borrower Rate: 12.47%

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 9/16/2015 Endorsement Number 7

League City, TX
Countersigned at

10/6/15
Date


Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division

P.O. Box 696785

San Antonio, Texas 78269-6785

OPTIONAL LENDER DEDUCTIBLE ENDORSEMENT

INSURANCE AGREEMENTS, 6. OUR MAXIMUM LIABILITY, SETTLEMENT OPTIONS in the policy is amended as follows:

The following sentence is deleted and not replaced:

If you have repossessed the insured collateral, and there is damage caused by more than one collision loss, each loss shall be deemed a separate loss, and no loss of less than \$100 is covered beyond the first or largest loss.

The following sentence is deleted:

The amount of each borrower claim will be reduced by the deductible shown on the declarations.

And replaced by:

The amount of each claim will be reduced by a deductible of \$200 per lender claim and \$200 per borrower claim.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 8

League City, TX
Countersigned at

10/6/15
Date

[Signature]
Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
P. O. Box 696785
San Antonio, Texas 78269-6785

AUTOMATIC COVERAGE ENDORSEMENT

The policy to which this endorsement is attached is hereby amended as follows:

At any time the borrower has failed to provide insurance to protect the collateral, a notice of insurance can be issued. The effective date will be the later of the effective date of this endorsement, the inception date of the loan or the cancellation or expiration date of the borrower's insurance. The appropriate premium must be paid prior to the settlement of a claim.

If, concurrent with the effective date of this endorsement, an audit of your loan records is made, coverage under this endorsement is extended to apply to existing loans or contracts also.

ADDITIONAL CONDITIONS:

1. Your failure to maintain a loan monitoring system approved by us will render this endorsement void and of no effect.
2. This endorsement does not apply when the loan or contract balance is \$ 1,000 or less.

ADDITIONAL EXCLUSIONS

1. There will be no coverage under this endorsement if the damage has already been repaired and paid for by someone other than you, prior to notifying us of the loss.

TERMINATION: Coverage under this endorsement is terminated concurrent with the termination of the policy to which it is attached.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 9

League City, TX

Countersigned at

10/6/15
Date

[Signature]

Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
P.O. Box 696785
San Antonio, Texas 78269-6785

BROAD FORM CONVERSION, SECRETION AND CONFISCATION COVERAGE ENDORSEMENT

The policy to which this endorsement is attached is hereby amended as follows:

COVERAGE: We will provide coverage for any direct loss sustained by you due to conversion, secretion or confiscation of the insured collateral described on an individual notice of insurance.

DEFINITIONS:

CONVERSION means when the borrower substantially changes, severely damages or destroys, sells, trades or disposes of the insured collateral without your consent.

SECRETION means when the borrower conceals or hides the insured collateral from you or removes the insured collateral from the area of use known to you with the apparent intent of wrongfully appropriating.

CONFISCATION means when a governmental body or official lawfully obtains possession of the insured collateral.

CONDITIONS PRECEDENT TO LIABILITY: The conditions precedent to the attaching of our liability for any loss or damage under this endorsement are:

1. that you have an interest in the insured collateral by virtue of a legally enforceable instrument and the insured collateral was delivered to a bona fide retail purchaser;
2. that the borrower has defaulted in his/her obligation to you;
3. that you have made all responsible efforts to locate and repossess the insured collateral, including all legal means available, as evidenced by supporting documentation;
4. that you have made all reasonable efforts to locate and collect from any co-maker on the loan;
5. that you have located and made all reasonable efforts to reclaim the insured collateral from the governmental body or official, if it has been legally confiscated;
6. that for a conversion or secretion loss you have reported the borrower's loan status to a credit reporting bureau as a "skip" or "charge-off";
7. that you have reported the loss to us within unlimited days after the loan becomes past due; and
8. that a notice of insurance is in force and premium for it paid for prior to the claim being reported.

DATE OF LOSS: Date of loss shall be the date we receive notice that all conditions precedent to liability have been met.

INVESTIGATION: For any loss caused by conversion or secretion of the insured collateral, we shall have 60 days from the date of loss to investigate the claim and attempt to locate the collateral. If we locate the collateral and notify you of its location, we have no further liability for coverage provided by this endorsement.

OUR MAXIMUM LIABILITY - SETTLEMENT OPTIONS: The amount we will pay will not exceed the least of:

1. the value of the insured collateral as of the date of loss as determined by averaging the wholesale and retail values shown in a nationally published vehicle pricing guide; or
2. your unpaid loan balance as of the date of loss, less:
 - any payments more than 120 days past due;
 - any unearned interest, finance charges and unearned insurance charges; and
 - any late charges or penalties added after the loan was made.

ADDITIONAL CONDITIONS:

1. You must give us clear title to the collateral when payment for loss under this endorsement is made by us to you.
2. For any loss caused by confiscation, there will be a waiting period of 60 days from the date of loss prior to the settlement of the loss by us.
3. For any loss caused by conversion, secretion or confiscation of the insured collateral, there will be a deductible amount of none per loss.
4. In the event property is redeemed by the borrower after an initial claim has been filed, no subsequent claims may be filed for the same property and borrower under this coverage. In addition, no loss settlement will be made under this coverage on any subsequent loan, refinance, extension, advance of funds or renegotiation of a loan granted to that borrower after loss settlement has been made under this coverage.

ADDITIONAL EXCLUSIONS: We will not pay for losses:

1. to collateral on loans more than unlimited days past due as of the effective date of this endorsement; or
2. where the collateral can be reclaimed by you from a governmental body or official by paying any fines or fees which may have been levied.

PREMIUM RATE: \$ 4.50 per notice of insurance in force per calendar quarter, commencing with the inception date of this endorsement.

TERMINATION: COVERAGE UNDER THIS ENDORSEMENT IS TERMINATED CONCURRENT WITH THE TERMINATION OF THE POLICY TO WHICH IT IS ATTACHED.

Nothing herein contained shall be held to vary, alter, waive, or extend any of the terms, conditions, or limitations of the policy to which this endorsement is attached other than as stated above.

This endorsement is attached to and forms a part of:

Policy number TEJCPI1079 and is subject to all the terms and conditions of the policy not inconsistent hereto.

Issued to First State Bank

By: **AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY**

Effective date of this endorsement 09/16/2015

Endorsement Number 10

League City, TX
Countersigned at

10/8/15
Date


Authorized Representative

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
 Credit Insurance Division
 1949 East Sunshine St.
 Springfield, MO 65899-0001

MORTGAGE SECURITY MASTER POLICY

SECTION I - MASTER POLICY

INSURING AGREEMENT

We will pay for direct, sudden and accidental loss to Insured property caused by the perils Insured against, but only if such property is described in a Mortgagor's Notice of Insurance that was issued prior to the date of loss.

DEFINITIONS

Throughout this policy:

1. You, your and named Insured refer to the Financial Institution shown on the Mortgage Security Master Policy Declarations as the Named Insured/Mortgagee.
2. We, us and our refer to the Company providing this Insurance.
3. Policy shall include the Mortgage Security Master Policy, all coverage forms and endorsements attached thereto, and any Mortgagor's Notice of Insurance issued pursuant to this policy.
4. Mortgagor's Notice of Insurance or Notice means an individual certificate of insurance providing specific coverage on mortgaged property protecting your interest as mortgagee. The mortgagor is not a named Insured under the policy.
5. Insured property or property means real property specifically described in a Mortgagor's Notice of Insurance in which you have an insurable interest as mortgagee.
6. Your Insurable Interest means your interest in the property described in a Mortgagor's Notice of Insurance. Your Insurable Interest is limited to the net principal balance plus any accrued interest, but exclusive of late fees and other charges, as of the date that any loss is reported to us. It would also include the mortgagee interest of others you service pursuant to a written servicing agreement.

GENERAL PROVISIONS - APPLICABLE TO SECTION II AND SECTION III

1. **Term of Notice:** Coverage shall apply to those properties reported to us by written application. A Mortgagor's Notice of Insurance shall be issued to each mortgagor for the term as specified on each Notice. If the property described in the Notice is also covered by other insurance that terminates at noon on the inception date of our coverage, any insurance described under the Notice shall not become effective until such other insurance has terminated.
2. **Insured property or property:** Coverage applies only to eligible real properties for which you have requested we provide coverage, for which you have paid a premium, and in which you have an insurable interest as mortgagee, or as the servicing agent for the mortgagee by written agreement.
3. **Limit of liability:** Even if more than one person has an insurable interest in the property described in a Notice, the maximum limit of our liability shall not exceed the lesser of:
 - a. Your Insurable Interest in the property covered; or
 - b. The applicable limit of recovery.
4. **Coverage provided:** This policy insures against direct physical loss or damage to insured property. All coverages, terms and conditions for residential property are as set forth in this policy in Section II - Residential Property Coverage. All coverages, terms and conditions for commercial property are as set forth in this policy in Section III - Commercial Property Coverage.
5. **Limit of recovery:** Our liability shall not exceed the lesser of the following after application of the deductible:
 - a. The maximum limit of liability as stated in the Mortgage Security Master Policy Declarations or by separate endorsement;
 - b. The limit of liability as shown in the Mortgagor's Notice of Insurance;
 - c. The amounts described in Section II - Residential Property Coverage, Loss Settlement or Section III - Commercial Property Coverage, Loss Settlement of this policy.
6. **Deductible:** For each loss covered under this policy, we shall be liable for loss only in excess of the appropriate deductible(s) specified in the Mortgage Security Master Policy Declarations or by separate endorsement.
7. **Request for coverage, effective date and amount of your Insurable Interest:** You shall request coverage on any real property in which you have an insurable interest as soon as you are notified that such property is uninsured. Your failure to request coverage within sixty (60) days of such notification constitutes a waiver of coverage and we shall not be obligated to issue a Mortgagor's Notice of Insurance for that property. To request coverage, you must provide written notice to us containing the following information: loan number, name and address of mortgagor, address of property to be insured, class of property, effective date and amount of your insurable interest. If we issue a Notice, coverage shall be effective the latter of:
 - a. The effective date requested by you;
 - b. The date of your facsimile request; or
 - c. The postmark date on your envelope if mailed.

8. **Concealment, Misrepresentation or Fraud:** This policy is void in any case of fraud, intentional concealment or misrepresentation of a material fact, by you or any other insured, at any time, concerning:
 - a. This policy;
 - b. The Insured property;
 - c. Your interest in Insured property; or
 - d. A claim under this policy or any Mortgagor's Notice of Insurance.
9. **Other Insurance:** THIS INSURANCE IS EXCESS INSURANCE. If there is any other valid and collectible insurance, which would attach if the insurance provided under this policy had not been effected, this insurance shall apply only as excess insurance and in no event as contributing insurance, and then only after all other insurance has been exhausted. Other valid and collectible insurance specifically includes, but is not limited to, any policies covering property owned by you and policies covering property under which payment would not be made to you because the deductible or self-insured retention exceeds the amount of a loss. Receipt of proof of other insurance by us will be considered a request of the named insured to cancel the Mortgagor's Notice of Insurance.
10. **Effect of loss on limits of recovery:** A loss to insured property reduces the limits of recovery by the amount of loss. Upon repair or replacement of insured property, the limits of recovery will return to their original amount.
11. **Salvage or recovery:** When, in connection with any loss covered by this policy, any salvage or recovery is received subsequent to the payment of such loss, the loss shall be refigured on the basis on which it would have been settled had the amount of salvage or recovery been known at the time the amount of loss was originally determined. Any amounts thus found to be due any party shall be promptly paid.
12. **Your duties and the mortgagor's duties after loss:** In case of a loss to which this insurance may apply, our liability for the payment of any loss is conditioned upon the performance by you or the mortgagor of the following duties:
 - a. Provide us immediate written notice.
 - b. Protect insured property from further damage, including making all necessary and reasonable repairs to protect insured property from further damage, and keep an accurate record of all repair expenditures. If you or the mortgagor fail to do so, we will not pay for any further damage. We will not reimburse for the costs of repairs unless records and receipts are provided.
 - c. In the event of a loss by theft, vandalism or malicious mischief, report the occurrence to the police immediately and provide a copy of the police report to us.
 - d. Make a list of all damaged or destroyed insured property showing in detail quantities, costs, actual cash value, amount of loss claimed and any other information we may require. Attach all bills, receipts and related documents that substantiate the amounts in the list.
 - e. Send to us within 60 days after loss the list described in 12(d), a proof of loss signed and sworn to by you and the mortgagor, including:
 - (1) The time and cause of loss;
 - (2) The interest of you, the mortgagor and all others in insured property;
 - (3) All encumbrances on insured property;
 - (4) Other insurance that may cover the loss;
 - (5) Changes in title, use, occupancy or possession of insured property; and
 - (6) If required, any plans and specification of the damaged buildings.
 - f. Show the damaged property to us or our representative as often as may be required.
 - g. As often as we may require, submit to examinations under oath by any person named by us and sign the transcript of the examinations.
 - h. Produce for examination, with permission to copy, all records and documents that we may require.
13. **Appraisal:** If you and we fail to agree on the amount of loss, either can demand that the amount of the loss be set by appraisal. Upon written demand, each party shall select a competent, independent appraiser and notify the other of the selected appraiser's identity within 20 days of receipt of the written demand. The two appraisers shall then select a competent, impartial umpire. The appraisers shall then set the amount of the loss. If the two appraisers are unable to agree upon an umpire within 15 days, you or we can ask a judge or a court of record in the state where the property is located to select an umpire. If the appraisers submit a written report of agreement to us, the amount agreed upon by the appraisers shall be the amount of the loss. If the appraisers fail to agree within a reasonable time, they shall submit their differences to the umpire. Written agreement signed by any two of the selected appraisers or umpire shall set the amount of the loss. Each party shall pay the appraiser they selected. Other expenses of the appraisal and the compensation of the umpire shall be paid equally by you and us.
14. **Subrogation:** Before a loss occurs, you or the mortgagor may waive in writing all rights of recovery against any person. If not waived, we may require an assignment of rights of recovery for a loss up to the amount of any payment made by us. If an assignment is sought, you and the mortgagor shall cooperate with us, including signing and delivering to us all related papers.
15. **Legal action against us:** No one may bring a legal action against us under this policy or any Mortgagor's Notice of Insurance unless:
 - a. There has been full compliance with all the terms of this policy; and
 - b. The action is brought within 2 years after you first have knowledge of the loss.
16. **Loss payment:**
 - a. In the event of loss or damage covered by this policy, at our option, we will either:
 - (1) Pay the value of lost or damaged property;
 - (2) Pay the cost of repairing or replacing the lost or damaged property;
 - (3) Take all or any part of insured property at an agreed or appraised value; or
 - (4) Repair, rebuild or replace the property with other property of like kind and quality.

- b. We will give notice of our intentions within 30 days after we receive the sworn statement of loss.
- c. We will not pay you more than your insurable interest in the covered property.
- d. We may adjust losses with the owners of lost or damaged property if other than you. If we pay the owners, such payments will satisfy your claims against us for the owners' property. We will not pay the owners more than their financial interest in the insured property.
- e. We will pay for covered loss or damage within 30 days after we receive the sworn statement of loss, if:
 - (1) You have complied with all of the terms of this policy; and
 - (2) We have reached agreement with you on the amount of loss or the amount of loss has been established by appraisal.
- 17. Abandonment of property: We need not accept any property abandoned by you or the mortgagor.
- 18. No benefit to bailee: Regardless of any other provision of this policy, we will not honor an assignment nor extend coverage to a bailee. A bailee is a person or entity to whom you or the mortgagor have given possession of insured property.
- 19. Liberalization clause: If, within 60 days prior to or during the term of a Mortgagor's Notice of Insurance, we adopt any revision to these General Provisions which would broaden the coverage under the terms set forth in any of the General Provisions without requiring the payment of additional premium, the broadened coverage will immediately apply to any Notice issued under this policy.
- 20. Waiver or change of policy provisions: A waiver or change of any provision of this policy must be in writing and signed by us to be valid.
- 21. Assignment: Assignment of this policy or any Mortgagor's Notice of Insurance shall not be valid unless we give our prior written consent to the assignment.
- 22. Your interest:
 - a. Your interest will not be impaired by any act or neglect of the mortgagor, provided you:
 - (1) Notify us of any change in occupancy, ownership or substantial change in risk as soon as you become aware of such change; and
 - (2) Pay any premium when due under this policy.
 - b. If we pay you for any loss and do not pay the mortgagor:
 - (1) We are subrogated to all of your rights granted under the mortgage on insured property and may require a partial assignment of the mortgage to the extent of payment made; or
 - (2) At our option, we may pay you the whole principal on the mortgage plus any accrued interest. In this event, and contemporaneously with such payment you shall provide to us a full assignment and transfer of the mortgage and all collateral for the debt, or we may elect to deduct from the payment due to you the value of the land as established by appraisal or the tax records of the county where the property is located.
- Subrogation will not impair your right to recover the full amount of your claim.
- 23. Reports and premium billings: Within 10 days of the last day of each month, you will provide a complete listing of all properties for which a Mortgagor's Notice of Insurance is requested showing loan number, name and address of a mortgagor, address of insured property, class of property, coverage effective date, amount of insurance requested, and cancellation date (if applicable). If you are required to calculate premium, payment of total net premium is due and payable with this report. If we are required to calculate the premium, total net premium shall be due and payable upon notice to you of the amount of premium due.
- 24. Inspections and surveys: We have the right but are not obligated to:
 - a. Make inspections and surveys at any time;
 - b. Give you reports on the conditions we find; and
 - c. Recommend changes.

Any inspections, surveys, reports or recommendations relate only to insurability and the premiums to be charged. We do not make safety inspections. We do not undertake to perform the duty of any person or organization to provide for the health or safety of workers or the public. Furthermore, we do not warrant that conditions:

 - d. Are safe or healthful; or
 - e. Comply with laws, regulations, codes or standards.

This condition applies not only to us, but also to any rating, advisory, rate service or similar organization, which makes insurance inspections, surveys, reports or recommendations.
- 25. Examination of your books and records: We shall be permitted at all reasonable times to examine your books and records at any time during the currency of this policy and within 90 days after cancellation of this policy. Within one year after final settlement of any claim we shall be permitted at all reasonable times to examine your books and records so far as the books and records relate to any payments made because of losses occurring during the term of this policy. We waive no rights and undertake no responsibility by reason of such examination or the omission thereof. We shall also be permitted at all reasonable times to audit your records to verify the number of existing loans for which you have not received proof of insurance protecting your interest and for which you should have requested a Mortgagor's Notice of Insurance be issued.
- 26. Multiple properties: If there are two or more insured property(s) listed in a Mortgagor's Notice of Insurance, we will pay no more for loss of or damage to such properties than a proportionate part of the total outstanding mortgage balance that each property represents. Such reduction in coverage is applicable to Coverage A - Dwelling under Section II - Residential Property Coverage or Building(s) Coverage under Section III - Commercial Property Coverage limits of liability. Such proportional reduction in the Coverage A limit of liability will reduce the amount payable for loss provided under Coverage B - Other Structures and the amount payable for loss provided by Demolition and Foreclosure Expense coverage if added by separate endorsement, by the same percentage.
- 27. a. Cancellation - Mortgage Security Master Policy:
 - (1) The first named insured shown in the Mortgage Security Master Policy Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.

- (2) We may cancel this policy by mailing or delivering to the first named Insured at the last mailing address known to us written notice of cancellation at least:
 - (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (b) 30 days before the effective date of cancellation if we cancel for any other reason.
- (3) Cancellation of the policy by either you or us will not affect any Mortgagor's Notice of Insurance issued prior to cancellation of the policy and for which a premium has been paid. All Notices in effect at the time of the cancellation of the policy will continue in force until their expiration, unless canceled as provided for in the provision titled Cancellation – Mortgagor's Notice of Insurance.
- (4) Other termination provisions:
 - (a) Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
 - (b) If notice is mailed, proof of mailing will be sufficient proof of notice.
- b. Cancellation – Mortgagor's Notice of Insurance:
 - (1) The first named Insured shown in the Mortgage Security Master Policy Declarations may cancel coverage for the property described in any Mortgagor's Notice of Insurance by mailing or delivering to us advance written notice of cancellation, but not prior to the effective date of mortgagor provided Insurance which meets the requirements of your loan agreement, and no more than 60 days prior to the date of notification to us, without approval of the company.
 - (2) We may cancel any Mortgagor's Notice of Insurance by mailing or delivering to the first named Insured and the mortgagor at their last mailing addresses known to us written notice of cancellation at least:
 - (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (b) 30 days before the effective date of cancellation if we cancel for any other reason.
 - (3) A Mortgagor's Notice of Insurance shall automatically be cancelled, and any coverage therein will automatically terminate upon:
 - (a) The effective date of other specific property Insurance coverage secured by the mortgagor which shows you as mortgagee, with appropriate documentation of such other coverage;
 - (b) The date when payment is made in full of the mortgage on the property which established your interest;
 - (c) The date of a foreclosure sale, deed in lieu of foreclosure, conveyance or transfer of title to Insured property as described on a Mortgagor's Notice of Insurance; or
 - (d) The date following the date of loss for any total loss to Insured property as described on a Mortgagor's Notice of Insurance.
 - (4) Other termination provisions:
 - (a) The notice of cancellation will state the effective date of cancellation. The coverage on any property described in a Mortgagor's Notice of Insurance will end on that date;
 - (b) The cancellation will be effective even if we have not made or offered a refund;
 - (c) If notice is mailed, proof of mailing will be sufficient proof of notice; and
 - (d) The Company shall have no further liability under any Mortgagor's Notice of Insurance for losses sustained on or after the effective date of cancellation.
- 28. Nonrenewal: We may elect not to renew this policy by mailing or delivering written notice of nonrenewal, stating the reasons for nonrenewal to the first named Insured and the first named Insured's agent or broker at their last mailing addresses known to us. We may also elect not to renew any Mortgagor's Notice of Insurance by mailing or delivering written notice of nonrenewal to the mortgagor at the mortgagor's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice. We will mail or deliver these notices at least 30 days before the:
 - a. Expiration of the policy and/or any Mortgagor's Notice of Insurance; or
 - b. Anniversary date of this policy and/or any Mortgagor's Notice of Insurance, if either had been written for a term of more than one year.
- 29. Premium refunds:
 - a. If either you or we cancel a Mortgagor's Notice of Insurance, we will refund the unused portion of the premium computed on a pro rata basis.
 - b. Refunds due you on a Mortgagor's Notice of Insurance that cancelled due to foreclosure sale, deed in lieu of foreclosure, conveyance, or transfer of title will be made directly to you as soon as practicable after you have notified us of the date of foreclosure sale, deed in lieu of foreclosure, conveyance, or transfer of title. Cancellation shall be effective as of such date even if you have failed to provide such notice to us.
 - c. Refunds of premium other than those described in 29(b) above will be made directly to you either at the time cancellation is effected or as soon as practicable after cancellation becomes effective. However, payment or the return of unearned premium is not a consideration of cancellation.

SECTION II – RESIDENTIAL PROPERTY COVERAGE

AGREEMENT

In return for the premium paid and subject to your compliance with all applicable provisions of this policy, we will provide the insurance described in this section.

COVERAGES

This insurance applies to the property described in the Mortgagor's Notice of Insurance in accordance with the following description(s) of coverage.

COVERAGE A - DWELLING

We cover:

1. The dwelling on the requested property, used principally for dwelling purposes;
2. Structures attached to the dwelling;
3. Materials and supplies on or adjacent to the property for use in the construction, alteration or repair of the dwelling or other structures on the property; and
4. Building equipment and outdoor equipment used for the service of and located on the property.

COVERAGE B - OTHER STRUCTURES

We cover other structures on the property, separated from the dwelling by clear space. Structures connected to the dwelling by only a fence, utility line or similar connection are considered to be other structures. Our maximum limit of liability is 10% of the Coverage A - Dwelling limit shown on the Mortgagor's Notice of Insurance for loss by a peril insured against to other structures described in this Coverage B. Payment under Coverage B - Other Structures reduces the amount payable for loss under Coverage A - Dwelling.

We do not cover structures:

1. Used in whole or in part for commercial, manufacturing or farming purposes;
2. Rented to or held for rental for any person not a tenant of the dwelling, unless used solely as a private garage; or
3. Such as fences, satellite dishes, antennas or radios and television towers separated from the dwelling.

OTHER COVERAGES

1. Debris removal: We will pay the reasonable expenses actually incurred for the removal of debris from a property following a covered loss. Payment under this coverage reduces the limit of recovery applying to the damaged property.
2. Reasonable repairs: We will pay the reasonable cost for necessary repairs made solely to protect the property covered by this section from further damage if the original damage was caused by a peril insured against. Payment under this coverage reduces the limit of recovery that applies to the property being repaired.

PROPERTY AND COVERAGES NOT INCLUDED

We do not cover:

1. Land, including land on which the dwelling is located.
2. Personal property, unless added by endorsement.
3. Fair rental value coverage for any part of a dwelling rented or held for rental by the mortgagor, while that part of the dwelling is uninhabitable, unless added by endorsement.
4. Additional living expenses incurred by any mortgagor when a loss caused by a peril insured against makes the property unfit for its normal use, unless added by endorsement.
5. Outdoor swimming pools, pumps, heaters and other related equipment.
6. Grass, trees, shrubs, and landscaping of any kind.

PERILS INSURED AGAINST

We insure for risk of direct physical loss to insured property under this section except:

1. Losses excluded under **EXCLUSIONS**;
2. Freezing of a plumbing, heating, air conditioning system, automatic fire protective sprinkler system or of a household appliance, or by discharge, leakage or overflow from within such system or appliance caused by freezing, while the dwelling is vacant, unoccupied or being constructed unless:
 - a. Heat is maintained in the building; or
 - b. The water supply is shut off and the system and appliances are drained;
3. Freezing, thawing, pressure or weight of water or ice, whether driven by wind or not, to other structures;
4. Theft of any property, which is not actually part of any dwelling or other structure;
5. Theft in or to a dwelling or other structure under construction or renovation. This exclusion remains in effect until the construction or renovation to the dwelling or other structure is complete and the dwelling or other structure is occupied;
6. Wind, hail, ice, snow or sleet to outdoor radio and television antennas and aerials including their lead-in wiring, masts or towers;
7. Continuous or repeated seepage or leakage of water or steam over a period of time from within a plumbing, heating or air conditioning system, or household appliance;
8. Wear and tear, marring, deterioration; inherent vice, latent defect, mechanical breakdown; smog, rust or corrosion, fungus, wet rot, dry rot or bacteria; mold; smoke from agricultural smudging or industrial operation; discharge, dispersal, seepage, migration, release or escape of pollutants.

Pollutants means solid, liquid, or gaseous matter including smoke, vapors, soot, fumes, acids, alkalis, chemicals toxic matter or waste material (including materials to be recycled, reconditioned, or reclaimed), or oil or other petroleum substances or derivatives (including any oil refuse or oil mixed with waste). If any of these cause water damage not otherwise excluded from a plumbing, heating, air conditioning, automatic fire protective sprinkler system, or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water escaped;

9. Settling, shrinking, bulging or expansion, including resultant cracking, of pavements, patios, foundations, walls, floors, roofs or ceilings. Damage caused by birds, vermin, rodents, insects or domestic animals is also excluded. If any of these cause water damage not otherwise excluded from a plumbing, heating, air conditioning, automatic fire protective sprinkler system, or household appliance, we cover loss caused by the water including the cost of tearing out and replacing any part of a building necessary to repair the system or appliance. We do not cover loss to the system or appliance from which the water escaped; or
10. Vandalism and malicious mischief to property that is vacant or unoccupied unless you have secured the property and conduct monthly inspections of the interior and exterior. A dwelling being constructed is not considered vacant.

EXCLUSIONS

1. We do not cover loss resulting directly or indirectly from any of the following, whether or not any other cause or happening contributes concurrently or in any sequence to the loss:

- a. Ordinance or law, meaning the enforcement of any ordinance, regulation or law regulating the construction, repair, demolition, occupancy, sale or relocation of the dwelling or other structure unless specifically provided under this section.
- b. Earth movement, meaning any loss caused by, resulting from, contributed to, or aggravated by:
 - (1) Earthquake, including land shock waves or tremors, before, during or after volcanic eruption;
 - (2) Landslide or mudflow;
 - (3) Earth sinking, rising, or shifting;
 - (4) Settlement or subsidence due to the sinking, shifting or compaction of soil, fill material, or organic matter; or
 - (5) Hydraulic fracturing, commonly known as fracking, meaning the procedure of creating fractures in a rock layer and using pressurized fluid to open and widen the cracks to release and extract:
 - (a) Petroleum;
 - (b) Natural gas; or
 - (c) Other substances.

This includes the process of drilling wellbores.

Earth movement also means volcanic eruption, explosion, or effusion. We do cover direct loss caused by earth movement for:

- (1) Fire;
- (2) Explosion other than the explosion of a volcano;
- (3) Breakage of glass or safety glazing material which is part of a building, storm door, or storm window; or
- (4) Theft.
- c. Water, meaning:
 - (1) Flood, surface water, waves, tidal wave or overflow of a body of water; or spray from any of these, whether or not driven by wind;
 - (2) Water or water-borne material which backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or
 - (3) Water below the surface of the ground. This includes water, which exerts pressure on or flows, seeps or leaks through a building, sidewalk, driveway, foundation, basement, swimming pool or other structure. Direct loss by fire, explosion or theft resulting from water damage is covered.
- d. Fungus, wet rot, dry rot and bacteria, meaning the presence, growth, proliferation, spread or any activity of fungus, wet rot, dry rot or bacteria. Fungus means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungus. This exclusion does not apply when fungus, wet rot, dry rot or bacteria results from fire or lightning.
- e. Neglect, meaning failure to use all reasonable means to save and preserve property at and after the time of a loss, or when property is endangered by a peril insured against.
- f. War, including undeclared or civil war, warlike action by a military force, including action in hindering or defending against an actual or expected attack by any government, sovereign or authority using military personnel or other agents, insurrection, rebellion, revolution, usurped power, or action taken by governmental authority in hindering or defending against any of these.
- g. Nuclear hazard, meaning any nuclear reaction, radiation or radioactive contamination, however caused, whether controlled or uncontrolled, or any consequence of any of these.
 - (1) Loss caused by the nuclear hazard shall not be considered loss caused by fire, explosion or smoke, even if these perils are specifically named in or otherwise included within Section II - Residential Property Coverage, Perils Insured Against.
 - (2) This policy does not apply to loss caused directly or indirectly by nuclear hazard, except that direct loss by fire resulting from the nuclear hazard is covered.
- h. Intentional act, meaning any action taken by or at the direction of you or any mortgagor committed with the intent to cause a loss or damage. This exclusion applies even if the person committing the act is insane, intoxicated or otherwise impaired if a person without that impairment would have committed such an act with the intent to cause loss or damage. Any action taken by or at the direction of the mortgagor, without your knowledge, shall not bar recovery by you as your interest may appear.

- i. Power failure, meaning the failure of power or other utility service if the failure takes place away from or off of the insured property. But if the failure results in a loss caused by a peril insured against on the insured property, we will pay for the loss caused by the insured peril.
 - j. Governmental action, meaning the destruction, confiscation, or seizure of property by order of any governmental or public authority. But we will pay for acts of destruction ordered by the governmental authority and taken at the time of a fire to prevent its spread, if damage caused by the fire would be covered under this policy.
 - k. Asbestos removal or restoration, meaning the removal of any asbestos products, asbestos fibers, or asbestos dust and any act of restoring the property due to asbestos products, asbestos fibers, or asbestos dust.
2. We do not cover loss to property described in Coverage A - Dwelling and Coverage B - Other Structures caused by any of the following:
- a. Weather conditions. However, this exclusion only applies if weather conditions contribute in any way to a cause or event excluded in Section II - Residential Property Coverage, Exclusions, Item 1.a. through 1.k. to produce the loss;
 - b. Acts or decisions, including the failure to act or decide, of any person, group, organization or governmental body; or
 - c. Faulty, inadequate incomplete, or defective:
 - (1) Planning, zoning, development, surveying, siting;
 - (2) Design, specifications, workmanship, repair, construction, renovation, remodeling, grading, or compaction;
 - (3) Materials used in repair, construction, renovation or remodeling; or
 - (4) Maintenance;

of part or all of any property whether on or off of the insured property.

However, any ensuing loss to property described in Coverage A - Dwelling and Coverage B - Other Structures not precluded by any other provision in this policy is covered.

OTHER PROVISIONS

- 1. Loss Settlement: Subject to the applicable limit of liability, losses to insured property are settled as follows:
 - a. Other structures that are not buildings, at actual cash value at the time of loss but not exceeding the amount necessary to repair or replace.
 - b. Roofs (except for fire peril), carpeting, domestic appliances, awnings, outdoor equipment, whether or not attached to buildings, and outdoor antennas, at actual cash value at the time of loss but not exceeding the amount necessary to repair or replace.
 - c. Buildings under Coverage A - Dwelling or Coverage B - Other Structures:
 - (1) At repair or replacement cost without deduction for depreciation, but not to exceed the lesser of:
 - (a) The repair or replacement cost of that part of the building damaged using commonly used building materials to place the property in a habitable condition for use on the same premises; or
 - (b) The amount actually and necessarily spent to repair or replace the damaged building.
 - (2) When the cost to repair or replace the damage is more than \$1,000 or more than 5% of the dwelling limit of liability as described in the Mortgagor's Notice of Insurance, whichever is less, we will pay no more than the actual cash value of the damage until actual repair or replacement is completed. You may make claim within 180 days after the loss for any additional expenses incurred to repair or replace.
- We may at our option replace insured property with property of similar kind, quality and value. If, as the result of your loss, we pay in cash or by replacement of the insured property, an amount equal to the actual cash value of the property before the loss, at our option, we have the right to take legal title to the insured property.
- 2. Loss to a pair, set, series of objects, interior or exterior panels: In the case of loss to part of a pair, set, a series of objects, panels or pieces of panels either interior or exterior, we may, at our option:
 - a. Repair or replace any part to restore the insured property to its actual cash value before the loss;
 - b. Pay the difference between the actual cash value of the insured property before and after the loss; or
 - c. Pay the reasonable cost of providing a substitute to match the remainder of the insured property as closely as possible.
- We do not guarantee the availability of parts or replacements. We will not be obligated to repair or replace the entire pair, set, series of objects, panel or piece when only a part is lost or damaged.
- 3. Glass Replacement: Covered loss to glass shall be settled at replacement cost with safety glazing materials when required by ordinance or law.

SECTION III - COMMERCIAL PROPERTY COVERAGE

AGREEMENT

In return for the premium paid and subject to your compliance with all applicable provisions of this policy, we will provide the insurance described in this section.

PROPERTY COVERED

This insurance applies to building(s) in accordance with the following description(s) of coverage. This insurance does not cover land.

Building(s) coverage: Building(s) coverage applies to all structures including all attached additions and extensions; fixtures, constituting a permanent part of the building; yard fixtures; personal property of the mortgagor used for the maintenance or service of the described building(s), including fire extinguishing apparatus, outdoor furniture, floor coverings and appliances for refrigerating, ventilating, cooking, dishwashing and laundering (but not including other personal property in apartments or rooms furnished by the mortgagor as landlord) if located at the property described in any Mortgagor's Notice of Insurance issued under this section.

Debris removal: We will pay reasonable and necessary expenses you incur to remove debris of insured property resulting from loss caused by any of the perils insured against in this section. Payment of debris removal expenses reduces the amount of insurance available under building(s) coverage. The total liability under this section for both loss to property and debris removal expense shall not exceed the amount of insurance under this section.

PROPERTY NOT COVERED

In addition to ineligible properties as described in this policy or as added by separate endorsement, there is no coverage for:

1. Outdoor signs, whether or not attached to a building or structure;
2. Outdoor trees, shrubs and plants; or
3. Outdoor swimming pools, fences, piers, wharves and docks, beach or diving platforms or appurtenances, retaining walls not constituting a part of a building, walks, roadways and other paved surfaces.

PERILS INSURED AGAINST

We insure for direct loss to insured property caused by:

1. Fire or lightning.
2. Removal, meaning loss to insured property covered hereunder while being removed from the premises endangered by the perils insured against. The insurance is in effect for only 5 days at each proper place to which such property shall necessarily be removed for preservation from the perils insured against. The amount of insurance provided for removal shall be the same proportion as the insured property removed bears to all property covered by this insurance.
3. Windstorm or hail, excluding loss caused directly or indirectly by frost or cold weather, or ice (other than hail), snow or sleet, whether driven by wind or not.
 - a. We shall not be liable for loss to the interior of the building(s) or covered insured property therein caused:
 - (1) By rain, snow, sand or dust, whether driven by wind or not unless the covered building(s) or the building containing insured property shall first sustain actual damage to roof or walls by the direct action of wind or hail. We shall then be liable for loss to the interior of the building(s) or insured property therein as may be caused by rain, snow, sand or dust entering the building(s) through openings in the roof or walls made by direct result of wind or hail; or
 - (2) By water from sprinkler equipment or from other piping, unless such equipment or piping is damaged as a direct result of wind or hail.
 - b. We shall not be liable for windstorm or hail damage to the following property:
 - (1) Windmills, wind pumps or their towers;
 - (2) Crop, silos;
 - (3) Metal smokestacks, or
 - (4) When outside of buildings:
 - (a) Awnings of fabric or slat construction, canopies of fabric or slat construction, including their supports;
 - (b) Radio or television antennas, including their lead-in wiring, masts or towers.
4. Smoke, meaning sudden and accidental damage from smoke, other than smoke from agricultural smudging or industrial operations.
5. Explosion, including the explosion of gases or fuel within the furnace of any fired vessel or within the flues or passages through which the gases of combustion pass. The following are not an explosion within the intent or meaning of this provision:
 - a. Shock waves caused by aircraft, generally known as sonic boom;
 - b. Electric arcing;
 - c. Rupture or bursting of rotating or moving parts of machinery caused by centrifugal force or mechanical breakdown;
 - d. Water hammer;
 - e. Rupture or bursting of water pipes;
 - f. Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water; or
 - g. Rupture, bursting or operation of pressure relief devices.
6. Riot attending a strike or civil commotion, including direct loss by acts of striking employees of the owner or tenant(s) of the covered building(s) while occupied by said striking employees. This also includes direct loss from pillage and looting that occurs during and at the immediate place of a riot attending a strike or civil commotion.
7. Aircraft or vehicle, meaning only direct loss resulting from actual physical contact of an aircraft or a vehicle with insured property or with the building(s) containing the property. Loss by aircraft includes direct loss caused by objects falling therefrom.

We shall not be liable for loss caused by:

 - a. Any vehicle owned or operated by a mortgagor or by any tenant of the insured property;
 - b. Any vehicle to fences, driveways, walks; or
 - c. Any aircraft or vehicle including its contents, other than stocks of aircraft or vehicles in the process of manufacture or for sale.

8. **Vandalism or malicious mischief, meaning the willful and malicious damage to or destruction of insured property.**

We shall not be liable for loss:

- a. To glass, other than glass building blocks, constituting part of a building, structure or an outside sign;
- b. By pilferage, theft, burglary or larceny, except we shall be liable for willful damage to insured property caused by burglars in gaining entrance to or exit from the building(s) or any part of the building(s); or
- c. If the insured property had been vacant for more than 30 consecutive days immediately preceding the loss, unless we had been notified of such vacancy, the appropriate premium had been paid, and you had secured the property and conducted monthly inspections of the interior and exterior. Vacant means the insured property contains no contents or only minimal contents pertaining to operations or activities customary to occupancy of the building.

EXCLUSIONS

1. **We will not pay for a loss caused directly or indirectly by any of the following and such loss is excluded regardless of whether any other cause or event contributes concurrently or in any sequence to the loss:**

- a. **Electrical apparatus:** Meaning any loss resulting from any electrical injury or disturbance to electrical appliances, devices, fixtures or wiring caused by electrical currents artificially generated unless fire as insured against ensues.
- b. **Nuclear hazard:** The word "fire" in this section or endorsements attached hereto is not intended to and does not include nuclear reaction or nuclear radiation or radioactive contamination, whether controlled or uncontrolled. Loss by nuclear reaction, nuclear radiation or radioactive contamination is not intended to be and is not insured against under this section or said endorsements, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by "fire" or by other perils insured against under this section or said endorsements; however, subject to the foregoing and all provisions of this section, direct loss by "fire" resulting from nuclear reaction or nuclear radiation or radioactive contamination is insured against under this section.
- c. **Nuclear exclusion:** This exclusion applies to all perils insured against hereunder except the perils of fire and lightning, which are otherwise provided for in the nuclear hazard above. Loss by nuclear reaction, nuclear radiation or radioactive contamination, all whether controlled or uncontrolled, or due to any act or condition incident to any of the foregoing, is not insured against under this section, whether such loss be direct or indirect, proximate or remote, or be in whole or in part caused by, contributed to, or aggravated by any of the perils insured against under this section. Nuclear reaction, nuclear radiation or radioactive contamination, whether controlled or uncontrolled are not explosion or smoke.
- d. **Ordinance or law:** The enforcement of any ordinance or law:
 - (1) Regulating the construction, use or repair of any property; or
 - (2) Requiring the tearing down of any property, including the cost of removing its debris.
- e. **Power failure:** Meaning loss caused directly or indirectly by the interruption of power or other utility service furnished to the insured property if the interruption takes place away from the property. If a peril insured against ensues on the insured property, we shall be liable for only the proportion of loss caused by the ensuing peril.
- f. **War and military action:** War, including undeclared or civil war, warlike action by a military force, including action in hindering or defending against an actual or expected attack by any government, sovereign or authority using military personnel or other agents, or insurrection, rebellion, revolution, usurped power or action taken by governmental authority in hindering or defending against any of these.
- g. **Water: meaning:**
 - (1) Flood, surface water, waves, tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not;
 - (2) Mudslide or mudflow;
 - (3) Water or water-borne material that backs up through sewers or drains or which overflows or is discharged from a sump, sump pump or related equipment; or
 - (4) Water under the ground surface pressing on, or flowing or seeping through:
 - (a) Foundations, walls, floors or paved surfaces;
 - (b) Basements, whether paved or not; or
 - (c) Doors, windows or other openings.

But if loss or damage by fire, explosion or sprinkler leakage results, we will pay for that resulting loss or damage.

- h. **Fungus, wet rot, dry rot and bacteria:** Meaning the presence, growth, proliferation, spread or any activity of fungus, wet rot, dry rot or bacteria. Fungus means any type or form of fungus, including mold or mildew and any mycotoxins, spores, scents or by-products produced or released by fungus. This exclusion does not apply when fungus, wet rot, dry rot or bacteria results from fire or lightning.
- i. **Earth movement:** Meaning any loss caused by, resulting from, contributed to, or aggravated by:
 - (1) Earthquake, including land shock waves or tremors, before, during or after volcanic eruption;
 - (2) Landslide or mudflow;
 - (3) Earth sinking, rising, or shifting;
 - (4) Settlement or subsidence due to the sinking, shifting or compaction of soil, fill material, or organic matter; or
 - (5) Hydraulic fracturing, commonly known as fracking, meaning the procedure of creating fractures in a rock layer and using pressurized fluid to open and widen the cracks to release and extract:
 - (a) Petroleum;
 - (b) Natural gas; or
 - (c) Other substances.

This includes the process of drilling wellbores.

Earth movement also means volcanic eruption, explosion, or effusion. We do cover direct loss caused by earth movement for:

- (1) Fire;
- (2) Explosion other than the explosion of a volcano;
- (3) Breakage of glass or safety glazing material which is part of a building, storm door, or storm window; or
- (4) Theft.

- j. Volcanic eruption, explosion, or effusion: But if loss or damage by fire or volcanic action results, we will pay for that resulting loss or damage. Volcanic action means direct loss or damage resulting from the eruption of a volcano when the loss or damage is caused by:

- (1) Airborne volcanic blast or airborne shock waves;
- (2) Ash, dust or particulate matter; or
- (3) Lava flow.

All volcanic eruptions that occur within any 168-hour period will constitute a single occurrence. Volcanic action does not include the cost to remove ash, dust or particulate matter that does not cause direct physical loss of or damage to insured property.

- k. Neglect: Meaning failure to use all reasonable means to save and preserve property at and after the time of loss, or when property is endangered by a peril insured against.
 - l. Intentional act: Meaning any action taken by or at the direction of you or any mortgagor committed with the intent to cause a loss or damage. This exclusion applies even if the person committing the act is insane, intoxicated or otherwise impaired if a person without that impairment would have committed such an act with the intent to cause loss or damage. Such an action taken by or at the direction of the mortgagor, without your knowledge, shall not bar recovery by you as your interest may appear.
 - m. Governmental action: Meaning the seizure or destruction of property by order of governmental authority. But we will pay for acts of destruction ordered by the governmental authority and taken at the time of a fire to prevent its spread, if the fire would be covered under this policy.
 - n. Asbestos removal or restoration: Meaning the removal of any asbestos products, asbestos fibers, or asbestos dust and any act of restoring the property due to asbestos products, asbestos fibers, or asbestos dust.
2. We will not pay for loss or damage caused by or resulting from:
- a. Artificially generated electrical current, including electric arcing, that disturbs electrical devices, appliances or wires. But if loss or damage by fire results, we will pay for that resulting loss or damage.
 - b. Rupture or bursting of water pipes (other than automatic sprinkler systems) unless caused by a peril insured against.
 - c. Leakage or discharge of water or steam resulting from the breaking or cracking of any part of a system or appliance containing water or steam (other than an automatic sprinkler system), unless the system or appliance is damaged by a peril insured against.
 - d. Explosion of steam boilers, steam pipes, steam engines or steam turbines owned or leased by you or the mortgagor, or operated under your or the mortgagor's control. But if loss or damage by fire or combustion explosion results, we will pay for that resulting loss or damage.
 - e. Mechanical breakdown, including rupture or bursting caused by centrifugal force. But if loss or damage by a peril insured against results, we will pay for that resulting loss or damage.

OTHER PROVISIONS

1. Loss settlement: Subject to the applicable limit of liability, insured property losses are settled as follows:
 - a. All property except tenant's improvements and betterments shall be paid at actual cash value except as provided below or by endorsement.
 - b. Tenant's improvements and betterments:
 - (1) If repaired or replaced at the expense of you or the mortgagor within a reasonable time after loss, our liability shall be the actual cash value of the damaged or destroyed improvements, not to exceed the limits of liability for this section.
 - (2) If not repaired or replaced at the expense of you or the mortgagor within a reasonable time after loss, our liability shall be that proportion of the original cost at the time of installation of the damaged or destroyed property which the unexpired term of the lease or rental agreement, whether written or oral, in effect at the time of loss bears to the periods from the date such improvements or betterments were made to the expiration of the lease, not to exceed the limits of liability for this section.
2. Permits and use: Except as otherwise provided, permission is granted:
 - a. To make additions, alterations and repairs. This section insofar as it covers building(s) or structure(s), is extended to cover additions, alterations and repairs, when not otherwise covered by insurance, including temporary structures constructed on site, materials, equipment and supplies therefore on or within 100 feet of the insured property; and this section, insofar as it covers contents, is extended to cover such additions.
 - b. For such unoccupancy as is usual or incidental to described occupancy. Unoccupied or unoccupancy means containing contents pertaining to occupancy of the building while operations or other customary activities are suspended.
3. Protective safeguards: It is a condition of this insurance that you and the mortgagor shall maintain so far as is within your or the mortgagor's control such protective safeguards as are set forth by endorsement hereto. Failure to maintain such protective safeguards shall suspend this insurance, only for the location or situation affected, for the duration of such discontinuance.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

MORTGAGE SECURITY MASTER POLICY
DECLARATIONS

Master Policy Number: TEJ - LA- 006

Named Insured/Mortgagee: First State Bank
Mailing Address: P.O. Box 638
Crossell, AR 71635

Agent Name: Tandy E. Jackson Agency
Mailing Address: P.O. Box 2187
Natchitoches, LA 71457

Agent Number: T76058

POLICY PERIOD

Effective Date: September 16, 2015 Expiration Date: Until Cancelled

12:01 A.M. Local Standard Time at the address of the Named Insured

COVERAGE TYPE	LIMIT OF LIABILITY (AMOUNT OF INSURANCE)	DEDUCTIBLE (IF ANY)	RATE	PREMIUM
Arkansas Only				
Residential REO/LP	1,000,000	250/500*	.98/100	TBD
Commercial REO/LP	1,000,000	500/1,000*	1.50/100	TBD

*VMM
Wind Hail Hurricane 2%

TOTAL PREMIUM: TBD

Coverage:

The insurance afforded is only with respect to such of the described coverages as are indicated by a specific premium charge or charges. The limit of our liability, deductible, rate and premium applicable to each such coverage shall be as stated herein, subject to all the terms of this Declarations having referenced thereto.

Property Insured:



Coverage applies only to eligible real properties (buildings) upon which you have requested we provide coverage, for which you have paid a premium, and in which you have an insurable interest as mortgagee or as the servicing agent by written agreement. This insurance does not cover land.

Coverages Provided:

All coverages, terms and conditions for residential property are set forth in Section II of the Mortgage Security Master Policy and in the attached policy forms. All coverages, terms and conditions for commercial property are set forth in Section III of the Mortgage Security Master policy and in the attached policy forms.

Limit of Liability:

The maximum limit of liability (amount of insurance) shall be the lesser of the amount shown on your request for insurance reflected on the monthly reports as described in this policy, or \$1,000,000 for residential property and \$1,000,000 for commercial property.

Taxes and Fees:

As required by state

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
COMMERCIAL ALL RISK COVERAGE ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that in consideration of an additional premium paid by the mortgagee and upon the mortgagee's request for coverage, we agree to provide commercial all risk coverage as described below. The Mortgage Security Master Policy, Section III – Commercial Property Coverage, Perils Insured Against is deleted and replaced with the following:

This policy insures against all risk of direct physical loss to insured property subject to the provisions and stipulations herein and in the policy of which this form is made a part, except losses excluded under Section III – Commercial Property Coverage, Exclusions.

The Mortgage Security Master Policy, Section III – Commercial Property Coverage, Exclusions, Item 2. is amended by the addition of the following:

2. We will not pay for loss or damage caused by or resulting from:

- f. Wear and tear, deterioration, rust or corrosion, mold, wet or dry rot, inherent or latent defect, smog; smoke, vapor or gas from agricultural or industrial operations; mechanical breakdown, including rupture or bursting caused by centrifugal force; settling, cracking, shrinkage, bulging or expansion of pavements, foundations, walls, floors, roofs or ceilings; animals, birds, vermin, termites or other insects; unless loss by a peril not otherwise excluded, and then we shall be liable for only such ensuing loss;
- g. Explosion of steam boilers, steam pipes, steam turbines or steam engines (except direct loss resulting from the explosion of accumulated gases or unconsumed fuel within the firebox, or combustion chamber, of any fired vessel or within the flues or passages which conduct the gases of combustion therefrom) if owned by, leased by or operated under the control of the named insured, or any ensuing loss by a peril not otherwise excluded ensures and then we shall be liable for only such ensuing loss;

The following are not explosions within the intent or meaning of these provisions:

- (1) Shock waves caused by aircraft, generally known as "sonic boom";
 - (2) Electric arcing;
 - (3) Rupture or bursting of rotating or moving parts of machinery caused by centrifugal force or mechanical breakdown;
 - (4) Water Hammer;
 - (5) Rupture or bursting of water pipes;
 - (6) Rupture or bursting due to expansion or swelling of the contents of any building or structure, caused by or resulting from water;
 - (7) Rupture, bursting or operation of pressure relief devices.
- h. Leakage or overflow from plumbing, heating, air conditioning or other equipment or appliances (except protective systems) caused by or resulting from freezing while the building is vacant or unoccupied, unless the named insured shall have exercised due diligence with respect to maintaining heat in the buildings or unless such equipment and appliances had been drained and the water supply shut off during such vacancy or unoccupancy;
 - i. Theft (including but not limited to burglary and robbery) of any property which at the time of loss is not installed or attached to and made a part of a building or structure (except direct loss by pillage and looting occurring during and at the immediate place of a riot or civil commotion), unless loss by a peril not otherwise excluded in this policy ensures from theft or attempted theft, and then we shall be liable for only such ensuing loss;
 - j. Unexplained or mysterious disappearance of any property, or shortage disclosed on taking inventory, or caused by any willful or dishonest act or omission of the named insured or any associate, employee or agent of any named insured; or
 - k. Continuous or repeated seepage or leakage of water or steam from within a plumbing, heating or air conditioning system or from within domestic appliance which occurs over a period of weeks, months, or years;
 - l. Faulty design, specifications, workmanship, construction, or materials if a peril excluded by this policy contributes to the loss at any time.

ALL OTHER PROVISIONS OF THE POLICY REMAIN UNCHANGED.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
COMMERCIAL REPLACEMENT COST ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that in consideration of an additional premium paid by the mortgagee and upon the mortgagee's request for coverage, Section III – Commercial Property Coverage, Other Provisions, Item 1. Loss Settlement is deleted and replaced with the following:

1. **Loss Settlement.** Subject to the applicable limit of liability, Insured property losses are settled as follows:
 - a. Property and structures that are not buildings shall be paid at actual cash value at the time of loss, not to exceed the amount necessary to repair or replace;
 - b. Carpeting, domestic appliances, awnings, outdoor antennas and outdoor equipment, whether or not attached to buildings, shall be paid at actual cash value at the time of loss, not to exceed the amount necessary to repair or replace;
 - c. Building(s), as described under Section III – Commercial Property Coverage, Property Covered, Building(s) Coverage, shall be paid at replacement cost without deduction for depreciation, subject to the following:
 - (1) We will pay the cost of repair or replacement, without deduction for depreciation, but not exceeding the lesser of the following amounts:
 - (a) The limit of liability on the building(s);
 - (b) The replacement cost of that part of the building(s) damaged using commonly used building materials to place the property in a habitable condition for use on the same premises; or
 - (c) The amount actually and necessarily spent to repair or replace the damaged building(s).
 - (2) If you decide not to repair or replace the damaged property, at our option, we may make settlement on an actual cash value basis. You may make claim within one year after the loss for any additional payment on a repair or replacement.
 - (3) When the cost to repair or replace the damage exceeds \$1,000 or 5% of the building(s) limit of liability, whichever is less, we will pay no more than the actual cash value of the damage until actual repair or replacement is completed.
 - d. **Tenant's Improvements and Betterments:**
 - (1) If repaired or replaced at the expense of you or the mortgagor within a reasonable time after loss, the actual cash value of the damaged or destroyed improvements and betterments.
 - (2) If not repaired or replaced at the expense of you or the mortgagor within a reasonable time after loss, that proportion of the original cost at the time of installation of the damaged or destroyed property which the unexpired term of the lease or rental agreement, whether written or oral, in effect at the time of loss bears to the periods from the date such improvements or betterments were made to the expiration of the lease.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
MOBILE HOME COVERAGE ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that the Mortgage Security Master Policy is extended to provide coverage against direct loss or damage to residential mobile homes in which you have an insurable interest and which become uninsured during the term of this policy.

The Mortgage Security Master Policy, Section I – General Provisions, Item 2. Insured Property is amended to include "mobile home". Coverage and loss settlement, if applicable, shall be in accordance with Section II – Residential Property Coverage. This coverage shall not apply to mobile homes used for other than residential purposes.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.

COMPLETE ONLY WHEN THIS ENDORSEMENT IS ADDED AFTER ISSUANCE OF THE POLICY.		
POLICY NUMBER	NAMED INSURED	EFFECTIVE DATE

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
 1949 East Sunshine St.
 Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
 REAL ESTATE OWNED ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that in consideration of an additional premium paid by the mortgagee and upon the mortgagee's request for coverage, we agree to provide coverage as described below for residential or commercial properties owned by you as a result of foreclosure or voluntary conveyance.

COVERAGE

Coverage shall be effective the latest of either:

1. The date of foreclosure or voluntary conveyance; or
2. The cancellation or expiration date, after foreclosure or voluntary conveyance, of an existing insurance policy when a renewal or replacement policy has not been received by you as of that date.

TERM

At your option, coverage may be provided for a monthly, quarterly, semi-annual, or annual term.

1. If a monthly term is selected, the following provisions shall apply to all residential and commercial properties covered:
 - a. You shall maintain and forward a schedule, as defined below, to us on a monthly basis listing the location of all properties for which this coverage applies and include:
 - (1) Description of each property and its occupancy;
 - (2) Address of each property;
 - (3) Amount of insurance under this policy;
 - (4) Effective date of coverage under this policy;
 - (5) Expiration or cancellation date of coverage provided by this policy;
 - (6) Number of days coverage is in force under this policy;
 - (7) Premium for each entry calculated in accordance with premium tables to be provided by us.
 - b. The schedule shall be forwarded to us not less than fifteen (15) days after the last day of the month for which coverage applies.
2. If a quarterly, semi-annual, or annual term is selected, the following provisions shall apply to all residential and commercial properties covered:
 - a. Coverage shall apply to those properties reported to us by written application received no later than thirty (30) days after the requested effective date. A Certificate shall be issued for each location of covered property for a quarterly, semi-annual or annual term from the date specified by you.
 - b. The premium payable for each Certificate shall be calculated according to schedules to be provided by us.
3. You understand that the premium rate is a monthly per property rate and is fully earned at the inception of coverage for each property. If a quarterly, semi-annual, or annual term is selected and coverage for a property is cancelled mid-term the refund shall be on a pro-rata basis.

LIMITS OF RECOVERY

1. Our liability hereunder for loss to any dwelling and other structures shall be per the provisions found in Section II, Residential Property Coverage, and in no event shall exceed the limit of liability on the Mortgage Security Master Policy Declarations.
2. Our liability hereunder for loss to any building shall be per the provisions found in Section III – Commercial Property Coverage, and in no event shall exceed the limit of liability on the Mortgage Security Master Policy Declarations.

DEDUCTIBLE

The deductible(s) shown on the Mortgage Security Master Policy Declarations shall apply separately for each loss to each dwelling, other structure, or building.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.

COMPLETE ONLY WHEN THIS ENDORSEMENT IS ADDED AFTER ISSUANCE OF THE POLICY.

POLICY NUMBER	NAMED INSURED	EFFECTIVE DATE

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
WINDSTORM/HAIL AND HURRICANE DEDUCTIBLE ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that a minimum deductible of 2% of the Coverage A - Dwelling limit of liability, or the deductible shown on the Mortgage Security Master Policy Declarations, whichever is greater, shall apply to each occurrence caused by the perils of wind, hail, and hurricane.

This deductible applies in the event of direct physical loss to:

1. Residential dwellings, including other structures and personal property; and
2. Commercial buildings, including business personal property of others.

Such deductible applies regardless of any other cause or event contributing concurrently or in any sequence to the loss; however, this deductible does not apply to loss resulting from rain or wind-driven rain, except rain or wind-driven rain which enters the insured property or structure through an opening created by the force of wind, hail, or hurricane.

ALL OTHER PROVISIONS OF THE POLICY REMAIN UNCHANGED.

COMPLETE ONLY WHEN THIS ENDORSEMENT IS ADDED AFTER ISSUANCE OF THE POLICY.

POLICY NUMBER	NAMED INSURED	EFFECTIVE DATE

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
BUILDERS RISK COVERAGE FORM**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is hereby understood and agreed that in consideration of an additional premium paid by the mortgagee and upon the mortgagee's request of coverage, we agree to provide Builders Risk coverage for those properties insured under a Mortgage Security Master Policy.

The Mortgage Security Master Policy, Section III – Commercial Property Coverage - Property Covered is amended by the addition of the following:

Builders Risk Insured Property: We will pay for direct physical loss of or damage to the Insured property as described in the Mortgagor's Notice of Insurance when caused by or resulting from a covered cause of loss.

Insured property as used in this endorsement means the type of property described herein, when a limit of liability is shown on the Mortgagor's Notice of Insurance for such property.

Building Under Construction means the Insured property shown on the Mortgagor's Notice of Insurance while in the course of its construction, including its:

1. Foundation;
2. The following provided they are intended to be permanently located in or on the Insured property or within 100 feet of its premises:
 - (a) Fixtures and machinery;
 - (b) Equipment used to service the building; and
 - (c) Your building materials and supplies used for construction (theft of building materials and supplies is limited to \$5,000).
3. If not covered by other insurance, temporary structures built or assembled on site, including cribbing, scaffolding and construction forms.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
ARKANSAS AMENDATORY ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The Mortgage Security Master Policy, General Provisions – Applicable to Sections II and III, Item 27.a. Cancellation – Mortgage Security Master Policy, is deleted and replaced with the following:

27. a. Cancellation – Mortgage Security Master Policy:

- (1) The first named Insured shown in the Mortgage Security Master Policy Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
- (2) When this policy has been in effect for 60 days or less and is not a renewal with us, we may cancel by mailing or delivering to the first named Insured at the last mailing address known to us written notice of cancellation at least:
 - (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (b) 20 days before the effective date of cancellation if we cancel for any other reason.
- (3) When this policy has been in effect for more than 60 days or at any time if it is a renewal with us, we may cancel by mailing or delivering to the first named Insured at the last mailing address known to us written notice of cancellation at least 20 days before the effective date of cancellation. We may cancel only for one or more of the following reasons:
 - (a) Upon discovery of fraud or material misrepresentation made by or with the knowledge of the named Insured in obtaining or continuing this policy, or in presenting a claim under this policy;
 - (b) Upon the occurrence of a material change in the risk which substantially increases any hazard insured against after insurance coverage has been issued;
 - (c) If there is a violation of any local fire, health, safety, building, or construction regulation or ordinance with respect to any insured property which substantially increases any hazard insured against;
 - (d) For nonpayment of membership dues required by us as a condition of the issuance and maintenance of the policy; or
 - (e) In the event of a material violation of a material provision of this policy.
- (4) Cancellation of the policy by either you or us will not affect any Mortgagor's Notice of Insurance issued prior to cancellation of the policy and for which a premium has been paid. All Notices in effect at the time of the cancellation of the policy will continue in force until their expiration, unless canceled as provided for in the provision titled Cancellation – Mortgagor's Notice of Insurance.
- (5) Other termination provisions:
 - (a) Notice of cancellation will state the effective date of cancellation. The policy period will end on that date.
 - (b) If notice is mailed, proof of mailing will be sufficient proof of notice.

The Mortgage Security Master Policy, General Provisions – Applicable to Sections II and III, Item 27.b. Cancellation – Mortgagor's Notice of Insurance, is deleted and replaced with the following:

27. b. Cancellation – Mortgagor's Notice of Insurance:

- (1) The first named Insured shown in the Mortgage Security Master Policy Declarations may cancel coverage for the property described in any Mortgagor's Notice of Insurance by mailing or delivering to us advance written notice of cancellation, but not prior to the effective date of mortgagor provided insurance which meets the requirements of your loan agreement, and no more than 60 days prior to the date of notification to us, without approval of the company.
- (2) When this Mortgagor's Notice of Insurance has been in effect for 60 days or less and is not a renewal with us, we may cancel by mailing or delivering to the first named Insured and the mortgagor at their last mailing addresses known to us written notice of cancellation at least:
 - (a) 10 days before the effective date of cancellation if we cancel for nonpayment of premium; or
 - (b) 20 days before the effective date of cancellation if we cancel for any other reason.

- (3) When this Mortgagor's Notice of Insurance has been in effect for more than 60 days or at any time if it is a renewal with us, we may cancel by mailing or delivering to the first named insured and the mortgagor at their last mailing addresses known to us written notice of cancellation at least 20 days before the effective date of cancellation. We may cancel only for one or more of the following reasons:
 - (a) Upon discovery of fraud or material misrepresentation made by or with the knowledge of the named insured in obtaining or continuing this Mortgagor's Notice of Insurance, or in presenting a claim under this Mortgagor's Notice of Insurance;
 - (b) Upon the occurrence of a material change in the risk which substantially increases any hazard insured against after insurance coverage has been issued;
 - (c) If there is a violation of any local fire, health, safety, building, or construction regulation or ordinance with respect to any insured property which substantially increases any hazard insured against;
 - (d) For nonpayment of membership dues required by us as a condition of the issuance and maintenance of the Mortgagor's Notice of Insurance; or
 - (e) In the event of a material violation of a material provision of this Mortgagor's Notice of Insurance.
- (4) A Mortgagor's Notice of Insurance shall automatically be cancelled, and any coverage therein will automatically terminate upon:
 - (a) The effective date of other specific property insurance coverage secured by the mortgagor which shows you as mortgagee, with appropriate documentation of such other coverage;
 - (b) The date when payment is made in full of the mortgage on the property which established your interest;
 - (c) The date of a foreclosure sale, deed in lieu of foreclosure, conveyance or transfer of title to insured property as described on a Mortgagor's Notice of Insurance; or
 - (d) The date following the date of loss for any total loss to insured property as described on a Mortgagor's Notice of Insurance.
- (5) Other termination provisions:
 - (a) The notice of cancellation will state the effective date of cancellation. The coverage on any property described in a Mortgagor's Notice of Insurance will end on that date;
 - (b) The cancellation will be effective even if we have not made or offered a refund;
 - (c) If notice is mailed, proof of mailing will be sufficient proof of notice; and
 - (d) The Company shall have no further liability under any Mortgagor's Notice of Insurance for losses sustained on or after the effective date of cancellation.

The Mortgage Security Master Policy, General Provisions – Applicable to Sections II and III, Item 15. Legal action against us, is deleted and replaced with the following:

15. Legal action against us: No one may bring a legal action against us under this policy or any Mortgagor's Notice of Insurance unless:
 - a. There has been full compliance with all the terms of this policy; and
 - b. The action is brought within 5 years after you first have knowledge of the loss.

The Mortgage Security Master Policy, General Provisions – Applicable to Sections II and III, Item 28. Nonrenewal is deleted and replaced with the following:

28. Nonrenewal: We may elect not to renew this policy by mailing or delivering written notice of nonrenewal, stating the reasons for nonrenewal to the first named insured and the first named insured's agent or broker at their last mailing addresses known to us. We may also elect not to renew any Mortgagor's Notice of Insurance by mailing or delivering written notice of nonrenewal to the mortgagor at the mortgagor's last mailing address known to us. If notice is mailed, proof of mailing will be sufficient proof of notice. We will mail or deliver these notices at least 60 days before the:
 - a. Expiration of the policy and/or any Mortgagor's Notice of Insurance; or
 - b. Anniversary date of this policy and/or any Mortgagor's Notice of Insurance, if either had been written for a term of more than one year.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**POLICYHOLDER DISCLOSURE
NOTICE OF TERRORISM
INSURANCE COVERAGE**

Coverage for acts of terrorism is included in your policy. You are hereby notified that under the Terrorism Risk Insurance Act, as amended in 2015, the definition of act of terrorism has changed. As defined in Section 102 (1) of the Act: The term "act of terrorism" means any act or acts that are certified by the Secretary of Treasury – in consultation with the Secretary of Homeland Security and the Attorney General of the United States – to be an act of terrorism; to be a violent act or an act that is dangerous to human life, property, or infrastructure; to have resulted in damage within the United States, or outside the United States in the case of certain air carriers or vessels or the premises of a United States mission; and to have been committed by an individual or individuals as part of an effort to coerce the civilian population of the United States or to influence the policy or affect the conduct of the United States Government by coercion. Under your coverage, any losses resulting from certified acts of terrorism may be partially reimbursed by the United States Government under a formula established by the Terrorism Risk Insurance Act, as amended. However, your policy may contain other exclusions which might affect your coverage, such as exclusion for nuclear events. Under the formula, the United States Government generally reimburses 85% through 2015; 84% beginning on January 1, 2016; 83% beginning on January 1, 2017, 82% beginning on January 1, 2018; 81% beginning on January 1, 2019; 80% beginning on January 1, 2020, of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage. The Terrorism Risk Insurance Act, as amended, contains a \$100 billion cap that limits U.S. Government reimbursement as well as insurers' liability for losses resulting from certified acts of terrorism when the amount of such losses exceeds \$100 billion in any one calendar year. If the aggregate insured losses for all insurers exceeds \$100 billion, your coverage may be reduced.

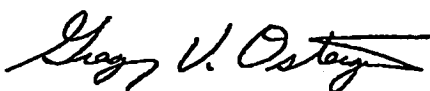
In accordance with the Act, we are providing you with this disclosure notice. The portion of your premium attributable to coverage for certified acts of terrorism under your policy is \$0.00 and does not include any charges for the portion of losses covered by the United States Government under the Act.

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY
Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

MORTGAGE SECURITY PROGRAM
MORTGAGE SECURITY MASTER POLICY
POLICY EXECUTION ENDORSEMENT

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

The Company has caused this policy to be signed by the President and Secretary.



President



Secretary

AMERICAN NATIONAL PROPERTY AND CASUALTY COMPANY

Credit Insurance Division
1949 East Sunshine St.
Springfield, MO 65899-0001

**MORTGAGE SECURITY PROGRAM
COMMERCIAL BUSINESS PERSONAL PROPERTY ENDORSEMENT**

THIS ENDORSEMENT CHANGES THE POLICY. PLEASE READ IT CAREFULLY.

It is understood and agreed that in consideration of an additional premium paid by the mortgagee and upon the mortgagee's request of coverage, we agree to extend Business Personal Property coverage to property in which you, as the Named Insured, have an insurable interest as lienholder, loss payee or owner as the result of a default on a loan or note.

Business Personal Property includes business personal property located in or on the insured property described in the Mortgagor's Notice of Insurance. The business personal property may be in the open (or in a vehicle) within 100 feet of the insured property, and shall consist of the following unless otherwise specified:

1. Furniture and fixtures;
2. Machinery and equipment;
3. Your stock or inventory;
4. All other business personal property owned by you and used in your business;
5. Labor, materials or services furnished or arranged by you on personal property of others;
6. Your use interest as tenant in improvements and betterments. Improvements and betterments are fixtures, alterations, installations or additions:
 - a. Made a part of the building or structure you occupy but do not own; and
 - b. You acquired or made at your expense but cannot legally remove;
7. Leased business personal property for which you have a contractual responsibility to insure, unless otherwise provided for under Business Personal Property of Others.

Business Personal Property of Others includes personal property that is:

1. In your care, custody or control; and
2. Located in or on the insured property described in the Mortgagor's Notice of Insurance or in the open (or in a vehicle) within 100 feet of the insured property.

However, our payment for loss of or damage to business personal property of others will only be for the account of the owner of the insured property.

Business Personal Property does not include:

1. Accounts, bills, currency, food stamps or other evidences of debt, money, notes or securities. Lottery tickets held for sale are not securities;
2. Animals, unless owned by others and boarded by you, or if owned by you, only as stock while inside of buildings;
3. Automobiles held for sale;
4. Bridges, roadways, walks, patios or other paved surfaces;
5. Contraband, or property in the course of illegal transportation or trade;
6. The cost of excavations, grading, backfilling or filling;
7. Foundations of buildings, structures, machinery or boilers if their foundations are below:
 - a. The lowest basement floor; or
 - b. The surface of the ground, if there is no basement;
8. Land (including land on which the insured property is located), water, growing crops or lawns;
9. Business personal property while airborne or waterborne;
10. Bulkheads, pilings, piers, wharves or docks;
11. Property that is covered under another coverage form of this or any other policy in which it is more specifically described, except for the excess of the amount due (whether you can collect on it or not) from that other insurance;
12. Retaining walls that are not part of a building;
13. Underground pipes, flues or drains;

14. Electronic data which means information, facts or computer programs stored as or on, created or used on, or transmitted to or from computer software (including systems and applications software), on hard or floppy disks, CD-ROMs, tapes, drives, cells, data processing devices or any other repositories of computer software which are used with electronically controlled equipment. The term computer programs, referred to in the foregoing description of electronic data, means a set of related electronic instructions which direct the operations and functions of a computer or device connected to it, which enable the computer or device to receive, process, store, retrieve or send data. This paragraph does not apply to your stock of prepackaged software;
15. The cost to replace or restore the information on valuable papers and records, including those which exist as electronic data. Valuable papers and records include but are not limited to proprietary information, books of account, deeds, manuscripts, abstracts, drawings and card index systems;
16. Vehicles or self-propelled machines (including aircraft or watercraft) that:
 - a. Are licensed for use on public roads; or
 - b. Are operated principally away from the insured property.
 This paragraph does not apply to:
 - a. Vehicles or self-propelled machines or autos you manufacture, process or warehouse;
 - b. Vehicles or self-propelled machines, other than autos, you hold for sale;
 - c. Rowboats or canoes out of water at the insured property; or
 - d. Trailers.
17. The following property while outside of buildings:
 - a. Grain, hay, straw or other crops;
 - b. Fences, radio or television antennas (including satellite dishes) and their lead-in wiring, masts or towers, trees, shrubs or plants (other than stock of trees, shrubs or plants), all except as provided under Section III: Commercial Property Coverage, Property Covered.

Business personal property coverage is valued on an actual cash value basis except as stated in Business Personal Property Valuation Exceptions. Our maximum limit of liability shall be fifty percent (50%) of the Commercial Building limit of liability shown on the Mortgage Security Master Policy Declarations.

The coverage provided by this endorsement shall in no way increase the limit of liability as shown in the Mortgage Security Master Policy Declarations.

Business Personal Property Valuation Exceptions:

1. Finished stock or inventory and sold business property completed and awaiting delivery are valued based on your selling price less the value of discounts and expenses you would have had.
2. Accounts receivable, valuable papers and records, negatives, transparencies, tapes, and prints are valued based on the cost of blank materials, including electronic data processing media but, not prepackaged software programs.
3. Gold, gold salts, and other precious metals are valued at the market cost for replacement as published by American Metals Market, during a period of 10 (ten) working days immediately following the date of loss, or the actual sum you pay for replacement, which is lower.

A \$500 deductible applies to this coverage. The deductible for business personal property shall apply separately from deductibles that apply to other coverages under this policy. We will not pay for a covered loss in any one occurrence until the amount of loss exceeds the deductible.

Covered perils for business personal property shall be those described in the Mortgage Security Master Policy, under Section III – Commercial Property Coverage, Perils Insured Against.

Automatic coverage does not apply to business personal property insured under this endorsement.

ALL OTHER PROVISIONS OF THIS POLICY REMAIN UNCHANGED.